**Lake View Park Villas 2019 Year End HOA Letter**

**February 15, 2020**

**Salutations!**

On behalf of the Board of Governors, I hope all of you had a wonderful holiday season. What is great about preparing this annual year end newsletter is that it means that another summer in the great state of Montana is just around the corner. I hope all of you are well and I am looking forward to seeing you soon. Hopefully this letter will be informative.

**Purpose of this Newsletter**

This newsletter will try to accomplish four things: (1) share some financial information; (2) recap the year just finished, (3) preview what will be going on in the new year: and (4) share some final thoughts.

**Our Year End Financials**

Our Association results were very strong. Attached to this newsletter, you will find the 2019 financial Profit & Loss, and Balance Sheet results. I am pleased to say that Ron Ransom, (our Secretary Treasurer) with the help of our Property Manager and Design Review Committee met our operational or basic maintenance requirements with good quality while finding a few economies along the way so as to underrun our budget by 26%. We also spent less than planned on our special projects which will be explained in more detail later in this letter. As always, a full set of financial statements will be posted on our web site (lakeviewparkvillas.com) as well as made available in hard copy at our annual meeting this coming summer. As a result of this performance and as stated at last year’s annual meeting, there will be **no dues** **increase** for 2020. While this will be the fifth year with no dues increase, inflationary pressures and an unexpected significant increase in roofing costs (here and nationwide) will necessitate the need to raise additional funding in 2021. Below are a few key financial highlights in rounded amounts:

* Operational expenses underran budget by $26,000 primarily in landscaping $4,000, road maintenance $2,000, water feature maintenance $5,000, $4,000 administrative costs and unspent contingency $7,000.
* Special project spending underran budget as our annual painting program came in $10,000 less than planned.
* As a result, our total year end assets increased by a net income of $67,000 to total $430,000.

**Long- Range Financial Planning**

Our Design Review Committee continued to manage our 20 Year Long-Range Plan (LRP) in an effort to provide sufficient reserve funding to meet our special project needs. So far, the projected costs estimate assumptions for our fourteen forecasted projects have been quite close with the possible exception of the pond embankment project and our pending roofing program. The Team has budgeted $120,000 for embankment repair and will attempt to make every effort to do a quality job for this amount. Unfortunately, roofing costs have increased significantly in the last couple of years. After receiving updated bids, the LRP budgeted amount for one townhome (double unit) had to be increased 50% from $20,000 to $30,000. This jump is consistent with many areas across the nation. As just one example, Ron Ransom reported that the replacement cost for his hurricane damaged tile roof came in at $82,000 from an estimate of $35,000 just two years prior, well over a 100% increase. The good news is that the Team has been budgeting contingency each year since starting the LRP and savings in our operational budget has helped to build the project reserve at a faster pace than planned to help offset a good portion of this roofing increase. The Team will provide a recommendation to the Board as to any dues impact by the time of our annual meeting, and as is usual an updated LRP will be shared and posted.

**Accomplishments**

The following highlight the major work completed in 2019:

* Completed the Second Year of our new annual Painting Strategy. We spent $15,600 to paint only in areas of need throughout the neighborhood. Last year we spent $32,800 to get things rolling in this annual program. This two year spend is consistent with our current LRP forecast assumption of an average per year spend of $25,000.
* Aggressively Pruned our Water Feature Trees and Shrubs. This project was completed in the early fall and the results have been very well received. To put it bluntly the entire feature had become overgrown. A pruning contractor was used to do this aggressive clearing out.
* Successfully Tested One Park Side Direct- to- Road Roof Drain. As most of you know, currently all the rain water collected from the roofs on the Park Side is directed through gutters and pipes to a back yard French drain that runs to the entrance pond. The system is designed to then send pond overflow to the street gutter. Flooding is common in the Spring. Last year the Committee approved installing a direct-to-road pipe at #46 where the flooding was the worst. The pitch was found to be sufficient and the design worked. As a result, it has been agreed to expand this Phase 1 approach.
* Continued our Replacement Planting Program. We continued this program launched last year to good effect. What is new about this program is that we switched to Black Magic, our current long-standing landscaping crew. Common sense was that Black Magic would be best positioned to know when and where it would be best to provide replacements in a cost-effective manner. Please remember that “personal” plantings of perennials and “color” by the rear patio/deck are at Owner’s expense. Please remember to utilize the recommended plant book on our website.
* Successfully Secured a Roofing Contractor.

**On Tap for This Year**

This coming year will continue to provide a few challenges and as such our agenda will include the following:

* Complete Scope Development of the Pond Embankment Project.
* Compete Phase 1 of the Park Side Drainage Project.
* Complete the third year of the New Painting Strategy.
* Continue to deliver on our Black Magic Landscaping Program.
* Replace our First Two high-priority Roofs (4 residences)
* Continue our Painting Program
* Complete a New Round of Patio Sealing on the Lake Side
* Complete a New Round of Driveway Sealing where needed.
* Install 2 pumps to addrews flooding. One at our entrance on the lake side, and one submerged in our water feature pond. Purpose of both is to keep heavy rain water flowing to the street gutters.

**A Note on the Pond Embankment Project**

As mentioned earlier, there is one project that we know has to be addressed, but we have yet to fully get our arms around the project to the point that we can price it out. That is what we call the Pond Embankment Project. On the Lake View side, there is a large pond behind all the units that is owned by the golf course. Behind several of the residences, the original rock riprap wall has sloughed down, resulting in a destabilization of the pond wall. This has further resulted in the subsidence of the surrounding soil in a few areas which is causing problems. For example, the rock planter between the residences in some instances is starting to disintegrate. In some units the patio slab has been undermined and slight cracking is resulting. We know that this has to be addressed, we know that it is a responsibility of the HOA to correct it, but as mentioned, we need to resolve how many homes are actually exposed to some type of potential structural problem, and then how do we fix the problem. We have hired two engineering teams to figure this out. One is a Geo tech engineer to work with soils and water, the other has already completed surveys, and will be responsible for determining how widespread the real problem is, and what the amounts of materials needed to correct the problem will be. Four members from our Design Review Committee: Bob Lust, Jon Cantwell, Greg Oswood and myself; are coordinating and working with these engineers. Frankly, we are seeing a little of the “too-busy-to take- on- such- a- small- project” malady common throughout the valley. Once we nail down an exact scope of work and have determined the best way to remedy the problem, we will have to hire a contractor to actually do the work. It is a complex problem, with multiple options to evaluate. We will determine which one best suits our needs and budget. Our timeline for when the work can be started has not been determined. We presently have $120,000 set aside in our capital reserve for this project and there is some concern that this one project may not be sufficiently covered in our Long Range Plan. Two other members from our Design Review Committee: Our Secretary/Treasurer – Ron Ransom and Bob Burke have been tasked with looking into financing options in case we need additional funds for this project.

**A Note on the Roofing Program**

Our efforts to initiate the roofing replacement program has turned into quite a saga. It also illustrates how the overall economic health of the Flathead Valley has changed in the last several years. We have 17 duplex roofs that need to be replaced in the next 4-5 years. We are operating on a schedule provided to us by the roofing expert sent to evaluate our roofs by Certainteeed, the manufacturer of our faulty shingles, several years ago. We have interviewed 4 different local roofing companies, and 2 more from out of the area. The 2 from out of the area were interiewed due to personal relationships and the known quality of the roofing jobs that would have been performed. We were hoping for a “special” deal. It was no surprise that they both came in substantially higher than the local companies primarily due to travel and costs of staying locally. So, they were eliminated. The four local firms were selected because each was referred to us by the best custom home builders and roofing supply firms in the valley.

A little history is in order. Three years ago, we had a few firms submit bids to redo our roofs with a shingle superior to the ones being replaced, and with a superior warranty. They came in around $20,000 per duplex roof. That is what we have been using to budget in our long range plan. We developed a bid package that asked for their best price on two different quality shingles for 4 roofs a year for years 1-3, and 5 roofs in year 4. We thought that this would be a very attractive incentive for a company because they would be able to depend on this program for several years. Of the four local companies that weinterviewed,two elected not to submit bids. One said that he is booked up through the next 2 years, and the other said that it was too many roofs in one area. He likes to move around. The other two both submitted based on a more flexible schedule, and there was a difference in their pricing. We ultimately selected the one that was highly recommended by several people, and interestingly, was also the most cost effective. Each bid was submitted with two different shingles at two different price points.

The result is that we are going to utilize Rooftop Systems to reroof 4 residences (two duplex townhomes). They are scheduled for August, which was the earliest time we could get. We will decide prior to that which shingle we want to go with. Hopefully this will allow us to discuss the different cost structures at the annual meeting. The difference is approximately $3-4,000 per duplex depending on shingle and warranty selected. At this point, the Board is leaning in the direction of the more expensive options, which we feel will be the less expensive over the lifetime of the roofs. I’m sorry that this sounds so complicated, but it was. We had dozens of phone conversations, met with roofing material suppliers, reviewed and compared bids, and this is our best alternative. It is obvious that the present economic conditions in the valley are totally in favor of the supplier of the service, as well as the seller of the materials. We look forward to addressing any questions anyone has on the subject.

**Final Notes**

This will probably be our last Newsletter prior to our Annual Meeting this summer. As always, please spend some quality time thinking through everything that we have going on. Make a list and bring them to our annual meeting so they can be discussed. At this point, we don’t know of any projects that are needed that haven’t been identified. Also, please review the Website and make sure you are familiar and comfortable with all our projects and corresponding budgets. Our Board and Design Review Committee will continue to work to a high level of transparency but good communications will still need your help and your participation.

Once again Ron, Brian and I were elected to serve for another 2 years. We thank you for your support and we pledge to keep earning your trust going forward. However, we are always in need of help. If you would like to serve on a committee or if you would be interested in running for the Board please let us know.

Thank you for your review of this newsletter, and we look forward to seeing you at this Annual Meeting.

Sincerely,

On Behalf of the Board

Paul R. Lentz

President

**LVPV 2019 Profit and Loss (Cash Flow) Statement**

|  |  |  |
| --- | --- | --- |
| **Income** | Dues for OperationDues for Capital or Long-Range Special ProjectsInterest IncomeFEC Capital Credit Refund**Total Income** | $ 101,456$ 56,984$ 3,555$ 70**$ 163,149** |
| **Expense** | General Administration Lawn Care & Maintenance Utilities & Irrigation Road Maintenance & Snow Removal General Maintenance & Pest Control Miscellaneous & ContingencyCapital or Long-Range Special Projects Spending Driveway Pole Light Upgrade Painting  Pond Embankment Restoration (Initial Engineering)  Gutters & Downspouts & Irrigation Upgrade**Total Expenses & Special Project Spending** | $ 10,716$ 44,603$ 3,808$ 2,250$ 7,801$ 4,843$ 1,318 $ 15,600 $ 2,785$ 2,456 **$ 96,181** |
| **Net Income** | **Net Income** (Added to Capital Special Projects Reserve) | **$ 66,968** |

**LVPV 2019 Balance Sheet**

|  |  |  |
| --- | --- | --- |
| **Assets** | Long Range Special Projects ReserveOperating ReserveCheckingAccounts ReceivableTotal Assets |  $ 402,104 $ 26,260 $ 26,524($ 27,214) **$ 430,004** |
| **Liabilities & Equity** | Retained EarningsNet Income**Total Liabilities & Equity** |  $ 363,036 $ 66,968 **$ 430,004** |